

March 9, 2011 – A Big Loss and a Big Gain

A Big Loss and A Big Gain

By

Israel Friedman

I'd like to inform all of my readers that my lovely wife Gabriella passed away after fighting for 16 years with the deadly disease of cancer. While I am heartbroken, I am lucky to have a large and loving family to comfort me. Thank you for all your condolences. Surviving for 16 years with this disease is a big achievement. I'm writing this for those who are suffering from this disease or perhaps have a loved one who is ill. Be optimistic, you can prolong life if you don't give up and seek the best medical care possible. My wife was always upbeat and had the very best medical treatment. It was not enough, but I was blessed for having her for so long.

My wife was a big fan of silver. I guess my enthusiasm rubbed off on her. She believed so much in silver, I remember she was cutting coupons to save money to buy more silver when silver was traded between 4-6 dollars. She said silver at that price was the bargain of the century. Gabriella heard the multiple daily conversations between me and Mr. Butler over many years and was happy that we had the opportunity to convince the readers that silver can be a good investment in the future. She knew better than anyone what money problems could do to a family and was glad that anyone who invested in silver would help keep those family money problems away. She was always more concerned for others than herself.

Some of you, with the rising of prices, are starting to have a headache about when to lock in the gain. It's important to keep an even balance and to consider things clearly. First, we are fortunate to be in the position to worry about gains. To take a profit is a good thing, better than to have losses. To take a profit, you have to decide by yourself, do you need the money urgently or for something important? If yes, then sell some of your silver for something like a child's education or to buy a house or pay off a mortgage. But not for trading or switching investments. If you are very worried about a big correction, it may be wise to sell some so you can sleep at night.

We are close to \$35 an ounce and anybody who bought silver in the past 30 years makes money, and the question is: "What does the future hold for silver"?

To come to a conclusion what the real value of silver is, we have to look what the counterpart gold prices are. That's the only real measuring stick to consider.

I say if today gold is \$1400 per ounce, with no special industrial need, and 3-4 times bigger world stock than silver, there is reason to believe that at some point the value of silver will be at the same price as gold, a ratio 1 to 1. I know that is an extreme prediction and it might take years to achieve this, but it's reasonable for me to believe that the ratio we achieved in 1980, of 16 to 1 is not as an extreme prediction as you think.

With gold prices at \$1430 the ratio of 16 to 1 is \$89 for silver. When we achieve this ratio of 16 to 1, we need to pay attention to a possibility of a reversal in price depending on the supply and demand factors. But if we don't have a reversal and the fundamentals still look good, then the price can go to extremes that will shake even Mr. Butler and me. Please remember that a few years ago many would have laughed at anyone suggesting we would be at \$35 today in silver. Instead of laughing, those people should have done their silver homework instead. I think that will also be the case in the future.

I also continue to think that Silver Eagles are the best investment in silver. I see a big demand for silver eagles coming from the Far East countries, and when the US Mint will stop issuing Silver Eagles, the prices will jump to a very big premium to silver bullion prices.

I hope that you will forgive me for writing personal things, as I can't help but to inform you of my loss. But I do know that Gabriella is happy that silver has conformed to our expectations and that so many have been rewarded.

Thanks Izzy.

Waking Up To Silver?

I want to thank Izzy for sharing his thoughts with us at such a difficult time for him. One of the things we've never argued about was the belief that enough people in the world would come to recognize the real story in silver and that recognition would come to propel the price higher. As the price went higher, more would come to study why the price was rising, resulting in even more buying. The signs are clear that this is occurring.

Some of the mainline publications seem to be awakening to silver, no doubt due to its recent outstanding investment returns. Some stories are starting to come close to the real issues, but most are still on the periphery, just missing the key points. Still, this is a very good omen for the future.

Two cases in point are recent features by The Wall Street Journal/Dow Jones and the Financial Times. Both publications picked up on the important issue of position limits in silver, but for a most unusual reason. It seems that the open comment period by the CFTC to solicit public opinion on the matter caught both publications' attention. The reason for their attention to this issue? Of all things, the controversial actor Charlie Sheen. I kid you not.

With more than 3000 comments received urging the Commission to adjust the position limits in silver to no more than 1500 contracts, a handful of pranksters showed up, apparently signing their comments not with their real names. These things happen. Some of the phony names (like Gary Gensler and Ben Bernanke) were removed quickly, but others, like Charlie Sheen slipped through. In any event, both Dow Jones and the Financial Times decided to have some fun with it. The results can be seen here – <http://blogs.wsj.com/deals/2011/03/08/charlie-sheen-secret-silver-investor/tab/print/> and here – http://video.ft.com/v/818545614001/Charlie-Sheen-dials-the-CFTC?utm_source=twitterfeed&utm_medium=twitter

Please don't get me wrong; we need to laugh and I welcome the levity. But there's also some very serious stuff here as well. I think it's great that the issue of 1500 contracts for a silver position limit is being brought to attention. I just wish it would also be covered by these fine publications in a serious manner as well. What I found most interesting in these two pieces (and in everything else I've read on the matter) was the lack of any legitimate debate on the merits of having a position limit of 1500 contracts or not. In other words, I have yet to hear a cohesive rebuttal for having 1500 contracts as the proper level for the silver position limit. Conversely, I have seen no compelling argument in favor of the more than 5,000 contract limit that would result if the CFTC staff's proposal is adopted.

If the Wall Street Journal and the Financial Times are going to write about this issue they should be steering their readers' attention to the actual merits of the debate. The issues are should there be position limits in silver (and other commodities) and, if so, what should the level of limits be? It's just amazing that only the public (through submitted and officially recorded comments) is dealing with these issues. Industry officials, regulators and the financial press seem to be evading the matter. As more wake up to silver, I believe that evasion of the real issues is going to come to haunt them.

Ted Butler

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